

PRIOR FISCAL OBLIGATIONS
PAYABLE AND ENCUMBRANCES
A MEMO FROM STATE ACCOUNTING

Where to Find What's in this Memo Page 1

Accounts Payable versus Encumbrances:

– **What you need to know before you even start!! Page 2**

Accounts Payable Page 3-4

 Accounts Payable Transactions before June 30, 2003 Page 3

 Accounts Payable Transactions after June 30, 2003 Page 3-4

Manual Encumbrances Page 4-10

 Manual Encumbrance Transactions before June 30, 2003 Page 5-8

 Manual Encumbrance Transactions after June 30, 2003 Page 8-9

 Voiding a Manual Encumbrance Transaction Page 9-10

A Report to Review Transactions Page 10-13

PRIOR FISCAL OBLIGATIONS
PAYABLE AND ENCUMBRANCES
A MEMO FROM STATE ACCOUNTING

1. Before you start this process, ask yourself, "Is this an accounts payable transaction?"

If the answer is yes, you probably don't need to complete an encumbrance transaction.

NIS offers the flexibility to record accounts payable, which will be paid in a future period and offset current year appropriations. This is different than our previous accounting system. Additionally, NIS offers the flexibility of recording A/P transactions in fiscal year 2004 for fiscal year 2003 obligations, which eliminates the need to record encumbrances.

2. When you have an accounts payable invoice dated in June, the A/P invoice should be entered into accounts payable and posted. This means you do not encumber the funds and enter the A/P invoice later; you enter the A/P invoice and you're finished.

Beware! If you receive an invoice for future services and record the transaction in June, you need a July general ledger posting date to match obligations to a future appropriation. **You should not post July invoices before July 1, 2003.** No allotment will be available before that time and the budget check will create an error.

3. **Manual encumbrances should be the exception and not the rule in NIS.** Most transactions will be accounts payable. Examples of a manual encumbrance would include an encumbrance to insure that June payroll appropriation is reserved.
4. With the exception of payroll encumbrances or encumbrances that existed prior to February 28, 2003, **encumbrances should be recorded after June 30, 2003 in the next biennium.**
5. Encumbrances are not automatically 'rolled over' at fiscal year end. If an encumbrance has not been relieved or liquidated prior to fiscal year end, it must be voided prior to June 30, 2003 and recreated after July 1, 2003. This procedure needs to be done so that encumbrances and appropriations are correctly reflected in each respective fiscal period.
6. In the NIS, a manual encumbrance is not automatically linked to the corresponding payable. After a manual encumbrance is created, it will remain as an obligation against appropriations until it is manually removed. This can be accomplished two ways: (1) Create a new manual encumbrance with a negative amount; or (2) Void the original encumbrance.

State Accounting Policy is to utilize method #2 – Voiding the original encumbrance.

By utilizing the void methodology, the original encumbrance document is matched. This method eliminates 100% of the encumbrance and provides an audit trail. The explanation should include the related payable document number where the encumbrance was paid.

7. In the rare case where a manually created encumbrance would be paid at a different amount than the original encumbrance, the remaining amount should be re-established as a new encumbrance. The explanation should include the original encumbrance journal entry document number.
8. **State Statute 81-138.01, identifies by law what is a valid encumbrance. Encumbering an amount inappropriately is a violation of Nebraska Law. If an encumbrance is liquidated for less than the certified amount, that amount is not available for spending.**

PRIOR FISCAL OBLIGATIONS
PAYABLE AND ENCUMBRANCES
A MEMO FROM STATE ACCOUNTING

ACCOUNTS PAYABLE:

Accounts payable, which exist at June 30, 2003, are ‘carried forward’ into the next fiscal year since this represents a balance sheet account. Expenditures associated with accounts payable which have a current fiscal year general ledger date appear in fiscal year 2003. When the accounts payable is paid, no additional expenditure entry is created, only a cash entry.

Accounts Payable Transaction entered before June 30, 2003.

If you have known current fiscal year obligations, posting a transaction with a June general ledger date and a June pay date will be the easiest to track the transaction. Current year budget authority is automatically checked at the time, the payable is posted.

If you have known current fiscal year obligations that will pay in July, you post a transaction with a June general ledger date and a pay date in July. The transaction will be reflected in fiscal year expenditures but will not be reflected in the cash account since an accounts payable exists on the June 30, 2003. Current fiscal year 2003 budget authority is automatically checked and reduced. When the document is paid in July, no transaction will be recorded on the allotment status, since the expenditure was recorded in the prior fiscal year. No budget appropriation in fiscal year 2004 will be utilized; therefore there is no need for reserving budget appropriation through an encumbrance process.

Instructions for posting a payable can be found at:

<http://www.das.state.ne.us/nis/trainingmat/ap/index.html>

The navigation is NIS Homepage>NIS Documentation>Payables – Lesson 2: Voucher Processing

Accounts Payable Transaction entered after June 30, 2003 for a FY 2003 obligation.

After fiscal year end, you will become aware of fiscal year 2003 obligations. You should utilize Accounts Payable. There is a special menu created for prior year payables within the Payables menu. The navigation in NIS for this transaction is below:

State of Nebraska>Payables>Voucher Processing>Prior Year Voucher Entry

The transaction selections mirror the regular payables voucher processing options. A current year payable is identified as a “PV” document type. By creating prior year transactions within this special menu, the program automatically assigns a “P9” document type. This identifies the transaction as a prior year obligation and allows a review of payables and available authority.

By utilizing this document type, **there is no need to create an encumbrance.**

It is very important that you utilize this menu to create accounts payable associated with the prior fiscal year. The certified obligations for the prior fiscal period that will re-appropriate fiscal year 2003 budget authority will be created from this ‘P9’ document type.

PRIOR FISCAL OBLIGATIONS
PAYABLE AND ENCUMBRANCES
A MEMO FROM STATE ACCOUNTING

Under the NAS, an encumbrance was created and reported on a certified encumbrance listing. Agency directors certified that this represented a complete listing of prior year obligations. The State Budget Administrator reviewed and certified the listing and released prior fiscal year available appropriation allotment to increase the current year appropriations for payment of these obligations.

Under the NIS, a report will be generated that includes all transactions identified as a prior year obligation. Payables with a “P9” document type will be included in the report. **If you do not have your transactions identified correctly, appropriations will not be made available from the prior fiscal year.**

MANUAL ENCUMBRANCE:

A manual encumbrance is a journal entry document type. It represents a one-sided transaction. This means that this entry will not automatically increase or decrease accounts payable transaction. **This entry does check against appropriations.** Expenditures associated with a manual encumbrance will not show on any general ledger report except the Allotment Status and the Budget Status. When the manual encumbrance is voided, a separate entry into accounts payable is created which records the expenditure in the general ledger. On the Allotment Status and Budget Status, the transaction will move from an encumbrance to expenditure.

Remember: Manual encumbrances should be the exception and not the rule in NIS.

Manual Encumbrance Transaction entered before June 30, 2003.

With the exception of payroll encumbrances or encumbrances that existed prior to February 28, 2003, **encumbrances should be recorded after June 30, 2003 in the next biennium.**

Instructions for posting a manual encumbrance can be found at http://www.das.state.ne.us/nis/trainingmat/budget/enter_adjust_manual_encumbrances.html.

The navigation is NIS Homepage>NIS Documentation>Budget>Prepare a Manual Encumbrance.

The navigation in NIS for this transaction is below:

**State of Nebraska>Agency Budget Menu>Agency Budget Management>
Prepare a Manual Encumbrance>Enter/Adjust Manual Encumbrances**

When creating an encumbrance, record one encumbrance per document. This facilitates the liquidation of individual documents. You can have multiple documents per batch. After approving and posting this transaction, you will see an encumbrance on the allotment status that reduces available appropriation allotment. This is no different than previous allotment status reports under NAS

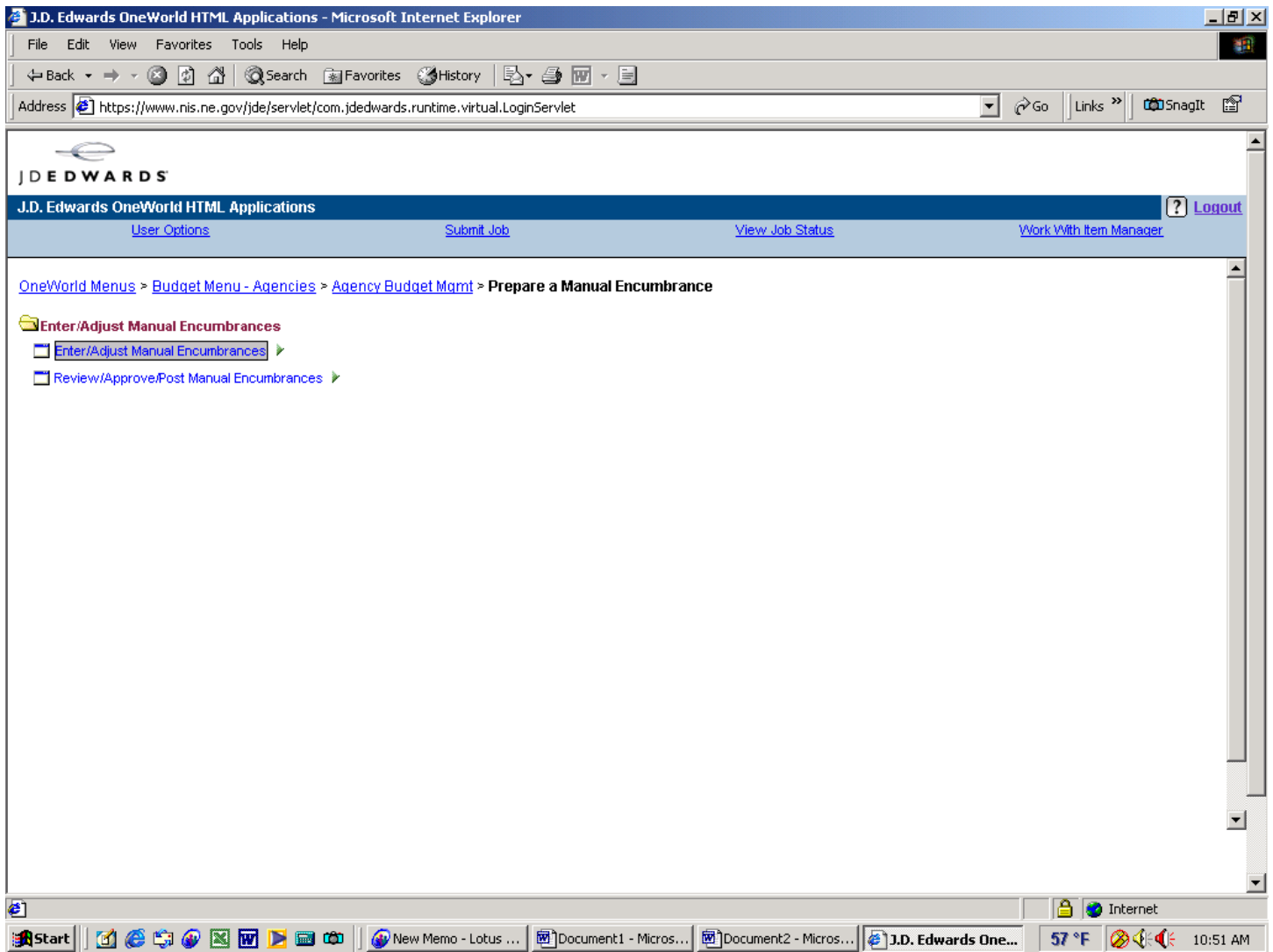
A manual encumbrance is a “JE” document type. If your transaction represents an encumbrance from the prior biennium – FY 2000 or FY 2001 – that was carried over into the current biennium, you need to use document type “J9” when adding the transaction. This represents encumbrances that were certified in the prior biennium. Below is an example:

**PRIOR FISCAL OBLIGATIONS
PAYABLE AND ENCUMBRANCES**
A MEMO FROM STATE ACCOUNTING

Navigation:

In this example, we will encumber \$10,000 of funds for telephone services.

State of Nebraska>Agency Budget Menu>Agency Budget Management>Prepare a Manual
Encumbrance>Enter/Adjust Manual Encumbrances



PRIOR FISCAL OBLIGATIONS
PAYABLE AND ENCUMBRANCES
A MEMO FROM STATE ACCOUNTING

Enter/Adjust Manual Encumbrances - Work With Journal Entries - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Search Favorites History Print

Address [http://nugl1111&appType=APP&appID=P0911&returnParam2=91&returnParam1=launchReturn&mode=1&version=N950004](#) Go Links SnagIt

Click "Add"

Enter/Adjust Manual Encumbrances - Work With Journal Entries

Select Find Add Copy Delete Close Row Report Tools

Batch Number Batch Type ☐ Models ☒ Summarize

[Customize Grid](#) No records fetched.

Document Type	Document Number	Document Company	G/L Date	P N	Explanation	Ledger Type	Reverse or Void	Reference 1
---------------	-----------------	------------------	----------	-----	-------------	-------------	-----------------	-------------

javascript:onClick=oc(83)

Start Welcome - Lotus Notes Enter/Adjust Manual E... Document1 - Microsoft W... 54 °F 9:06 AM

PRIOR FISCAL OBLIGATIONS PAYABLE AND ENCUMBRANCES A MEMO FROM STATE ACCOUNTING

JDEdwards
Enter/Adjust Manual Encumbrances - Journal Entry

OK Delete Cancel Form Row Tools

Batch Number: 91206 ☐ Model ☐ Percent ☐ Reverse

Doc Type/No/Co: JE 22640 G/L Date: 05/16/2003

Explanation: Encumber Alltel Cost Ledger Type: PB

Customize Grid		Records 1 - 2							
		Account Number	Amount	Debit Amount (F)	Credit Amount (F)	Account Description	Subledger	Subledger Type	Sub Des
<input type="checkbox"/>	<input type="checkbox"/>	2690003.549700	10,000.00			TELEPHONE SERVICES			
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>								

Remaining Amount: 10,000.00

Note the document type is identified as a JE, representing a current year encumbrance. If this were a prior year obligation, you would change the Doc Type to "J9".

In this example, we have charged the correct fund, business unit and object account. The Explanation field contains the name of the vendor we will be paying.

The journal entry would be approved and posted. Please note this is not a balanced journal entry. The encumbering ledgers (PA and PB) do not have to balance.

Helpful hint: Encumbrances will appear on the allotment status report and reduce available appropriation.

PRIOR FISCAL OBLIGATIONS
PAYABLE AND ENCUMBRANCES
A MEMO FROM STATE ACCOUNTING

Manual Encumbrance Transaction entered before June 30, 2003 (continued).

If you have created an encumbrance prior to June 30, 2003, as discussed previously, it must be voided prior to fiscal year end.

- ✓ If you are liquidating the document by creating a payable, you should follow the steps below:
 - A) Create payable (outlined above), but do not approve or post.
 - Leave room in the explanation to record the associated encumbrance document number.
 - You should write down the document number of the payable on a piece of paper so that you can record it in the voided encumbrance transaction explanation.
 - B) Locate the previously created encumbrance journal entry and void the transaction (Instructions below).
 - Include the payable document number you wrote down in the explanation. This provides an audit trail.
 - C) Approve and Post the voided encumbrance journal entry.
 - D) Edit the payable transaction to include the associated encumbrance document in the explanation field.
 - E) Approve and Post the payable.
 - F) If the payable amount is different than the encumbrance amount, create a new encumbrance for the difference.
 - Include the original encumbrance number in the explanation. This provides an audit trail.
- ✓ If you are voiding the encumbrance due to fiscal year and will recreating the transaction in the next fiscal year, you should follow the steps below:
 - A) Locate the previously created encumbrance journal entry and void the transaction (Instructions below) on June 30, 2003. Include in the explanation, "July 1 Encumber".
 - B) After July 1, 2003, create a new encumbrance, including the previous encumbrance document number in the explanation field.

**REMEMBER: If the encumbrance was for the prior biennium,
you are not able to re-create the encumbrance.
Those appropriations must lapse by law.**

Manual Encumbrance Transaction entered after June 30, 2003.

There are two basic entries you will see for manual encumbrances after June 30, 2003.

- i. Transactions that an agency needs to certify prior to August 15, 2003, to insure prior year appropriations are available. **These should be very rare.** Most transactions can be completed as accounts payable.
- ii. Transactions to 'protect' appropriations from being spent inadvertently. An example of this would be payroll or an aid program where all appropriations will be granted throughout the fiscal period for a specific use.

Manual encumbrances after June 30, 2003 are created utilizing the same methodology outlined above.

PRIOR FISCAL OBLIGATIONS
PAYABLE AND ENCUMBRANCES
A MEMO FROM STATE ACCOUNTING

If the encumbrance is related to the prior biennium, FY 2002 or FY 2003, the document type should be changed to a “J9”. Under the NIS, a report will be generated that includes all transactions identified as a prior year obligation. Encumbrances with a “J9” document type will be included in the report. **If you do not have your transactions identified correctly, appropriations will not be made available from the prior fiscal year.**

Voiding a Manual Encumbrance Transaction.

An encumbrance transaction is a journal entry type. Instructions for voiding a journal entry can be found at http://www.das.state.ne.us/nis/trainingmat/ga/voiding_journal_entry.html

The navigation is NIS Homepage>NIS Documentation>General Accounting>Approve/Post/Print Journal Entries – Lesson #4: Voiding a Journal Entry.

The instructions are valid but you should complete the void transaction within the Prepare a Manual Encumbrance Menu.

The navigation in NIS for this transaction is below:

**State of Nebraska>Agency Budget Menu>Agency Budget Management>
Prepare a Manual Encumbrance>Enter/Adjust Manual Encumbrances**

PRIOR FISCAL OBLIGATIONS PAYABLE AND ENCUMBRANCES

A MEMO FROM STATE ACCOUNTING

Review/Approve/Post Manual Encumbrances - Work With Batches - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Address: http://10.20.15.10/jde/servlet/com.jdedwards.runtime.virtual.VCServlet

J D EDWARDS

Review/Approve/Post Manual Encumbrances - Work With Batches

Select Find **First click "Find"**

Batch Number / Type * G General Accounting

☐ Unposted Batches ☒ Posted Batches ☐ All Batches

Lastly click "Select"

Customize Grid Records 1 - 10

Batch Type	Batch Number	Batch Date	Batch Status	Status Description	Difference Documents	Difference Amount	User ID
<input type="checkbox"/> G	11577	10/30/2002	D	Posted	1-	58,582,138.65	ADMMKEMMER
<input type="checkbox"/> G	11578	10/30/2002	D	Posted	1-	110,066,099.84	ADMMKEMMER
<input checked="" type="checkbox"/> G	11579	10/30/2002	D	Posted	1-	44,514.48	ADMMKEMMER
<input type="checkbox"/> G	11580	10/30/2002	D	Posted	1-	247,479.74	ADMMKEMMER
<input type="checkbox"/> G	11581	10/30/2002	D	Posted	1-	6,928.36	ADMMKEMMER
<input type="checkbox"/> G	11582	10/30/2002	D	Posted	1-	149,979.27	ADMMKEMMER
<input type="checkbox"/> G	11583	10/30/2002	D	Posted	1-		ADMMKEMMER
<input type="checkbox"/> G	11584	10/30/2002	D	Posted	1-		ADMMKEMMER
<input type="checkbox"/> G	11585	10/30/2002	D	Posted	1-	787,660.26	ADMMKEMMER
<input type="checkbox"/> G	11586	10/30/2002	D	Posted	1-	3,208,171.89	ADMMKEMMER

Second, Select the transaction

Start | Encumbrances Memo - ... | ~3944654.doc - Microsof... | Review/Approve/Post... | Internet | 10:36 AM

Review/Approve/Post Manual Encumbrances - General Journal Review - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Address: http://10.20.15.10/jde/servlet/com.jdedwards.runtime.virtual.VCServlet

J D EDWARDS

Review/Approve/Post Manual Encumbrances - General Journal Review

Select Find Add Delete Close Row Tools **Click "Row" then "Void JE"**

Batch Number/Type 11579 Journal Entries Void JE General Accounting

Customize Grid

Document Type	Document Number	Document Company	G/L Date	Explanation	Domestic Amount	Foreign Amount	Reverse or Void	Currency Code
<input type="checkbox"/> CB	4751	20300	06/30/2002	BEGINNING BALANCE	127,204.05			
				Total	127,204.05			

Done | Encumbrances Memo - ... | ~3944654.doc - Microsof... | Review/Approve/Post... | Internet | 10:37 AM

**PRIOR FISCAL OBLIGATIONS
PAYABLE AND ENCUMBRANCES**
A MEMO FROM STATE ACCOUNTING

This transaction will then follow your normal agency approval routing for approval and posting.

REPORTS:

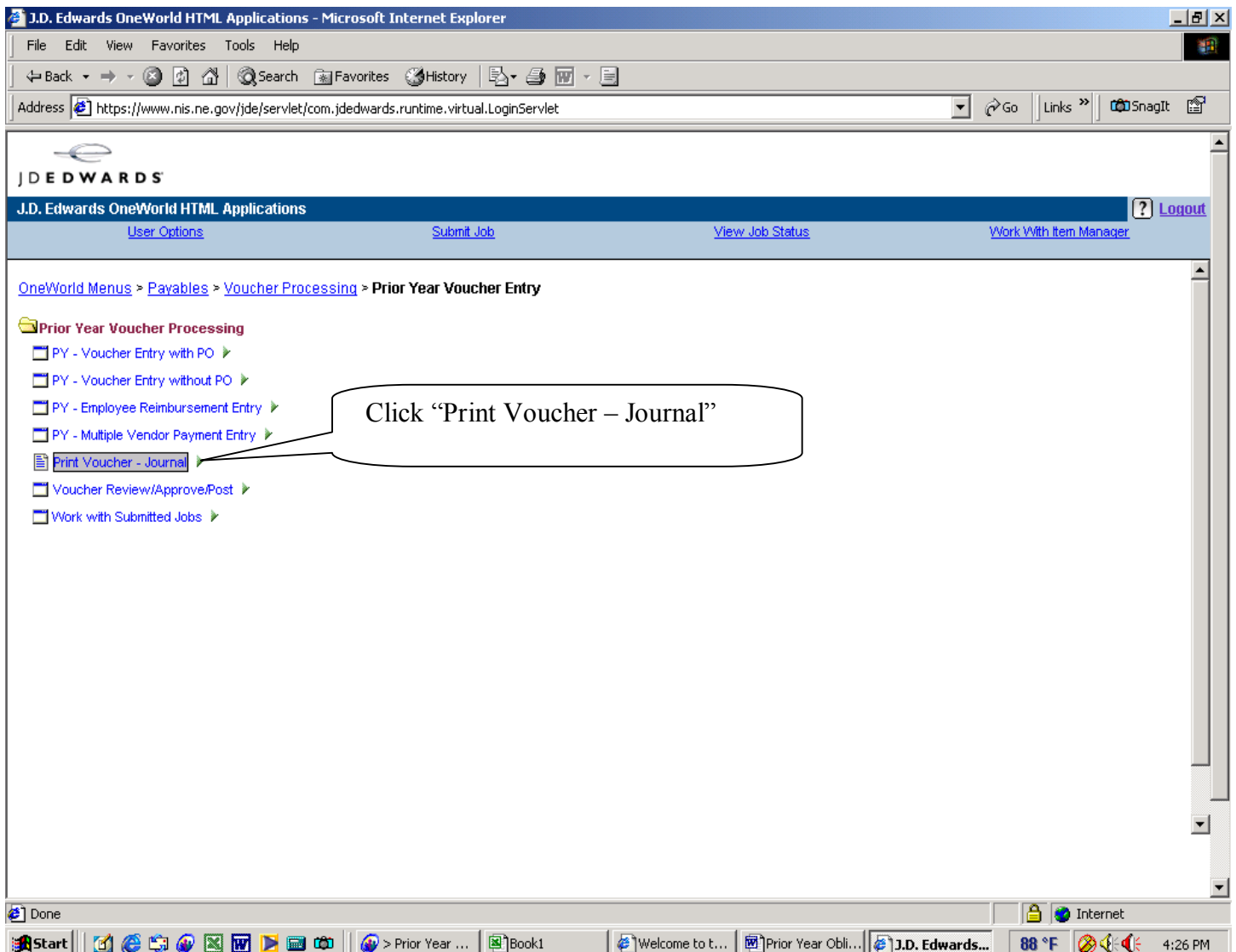
To review prior year obligation transactions that have posted to the system, follow the instructions below:

The navigation in NIS is below:

State of Nebraska>Payable>Voucher Processing>Print Voucher Journal Report

You will be taken to the Data Selection Screen. The following logic should be keyed in:

Where > Document Type (F0411) [BC] > is equal to > Literal > P9.



PRIOR FISCAL OBLIGATIONS PAYABLE AND ENCUMBRANCES

A MEMO FROM STATE ACCOUNTING

Data Selection - Microsoft Internet Explorer

Address: <https://www.nis.ne.gov/jde/servlet/com.jdedwards.runtime.virtual.VCServlet>

JDE EDWARDS

Data Selection

OK Cancel Delete Up Down

☐ ☐ ☐ ☐ ☐

Operator	Left Operand	Comparison	Right Operand
<input type="checkbox"/> Where	Document Type (F0411) [BC]	is equal to	
<input type="checkbox"/> And	Document Fund (Original Order) (F0411) [BC]		
<input type="checkbox"/> And	Document Fund (Purchase Order) (F0411) [BC]		
<input type="checkbox"/> And	Document Pay Item (F0411) [BC]		
<input type="checkbox"/> And	Document Pay Item - Original (F0411) [BC]		
<input type="checkbox"/> Add Row	Document Type (F0411) (BC)		
<input type="checkbox"/> Advanced	Document Type - Adjusting (F0411) [BC]		
	Document Type - Original (F0411) [BC]		
	Document Type - Purchase Order (F0411) [BC]		
	Domestic Entry w/Mult Currency Distr (F0411) [BC]		
	Factor/Special Payee (F0101) [BC]		
	Fiscal Year (F0411) [BC]		

Chose "Literal" and type "P9"

Left Operand:
"Document Type (F0411)(BC)"

Done

Start > Prior Year ... Book1 Welcome to t... Prior Year Obl... Data Selecti... 88 °F 4:27 PM

PRIOR FISCAL OBLIGATIONS
PAYABLE AND ENCUMBRANCES
A MEMO FROM STATE ACCOUNTING

Data Selection - Microsoft Internet Explorer

File Edit View Favorites Tools Help

Back Forward Stop Home Search Favorites History Print Copy Paste

Address <https://www.nis.ne.gov/jde/servlet/com.jdedwards.runtime.virtual.VCServlet> Go Links SnagIt

J D E D W A R D S

Data Selection

Click "OK"

OK Cancel Delete Up Down

☒ ☐ ☐ ☐ ☐

	Operator	Left Operand	Comparison	Right Operand
<input type="checkbox"/>	Where	Document Type (F0411) [BC]	is equal to	"P9"
<input type="checkbox"/>	And			
<input type="checkbox"/>	And			

[Add Row.](#)

[Advanced.](#)

Done Internet

Start > Prior Year ... Book1 Welcome to t... Prior Year Obl... Data Selecti... 88 °F 4:28 PM

Business Unit or other conditions could further refine this request.